



## **Connecticut Veterans**

*Chamber of Commerce*

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### **Written Testimony of Michael J. Zacchea**

#### **Connecticut Veterans Chamber of Commerce**

In support of Senate Bill 2, An Act Supporting Veteran-Owned Small Businesses

March 3, 2016

Veterans' Affairs Committee

The Connecticut Veterans Chamber of Commerce is a nonpartisan, nonprofit association that represents veteran-owned businesses and military veterans seeking to reintegrate into civilian life. The Chamber brings the veteran and civilian communities together to promote economic growth and development and reduce barriers to business and workforce entry.

I am an appointee to the Small Business Administration Advisory Committee on Veterans Business Affairs. Veterans Business contracting policy and law review is a major part of the Advisory Committee's role.

The Chamber supports Senate Bill 2 and commends the committee and Senate leadership for their support and leadership on this important issue. The bill would provide veteran-owned micro businesses with up to a fifteen percent preference on certain state contracts awarded through competitive bidding, and provide newly established veteran-owned businesses with a one-time exemption from payment of the state business entity tax.

Small business activity is the lifeblood of the state's economy. Some 70% of consumption, and 70% of jobs, occur in the "small" business economy. The small business economy is middle class economics. Middle class economics is veteran economic reintegration into our communities.

I have included a map and a summary of existing veteran-owned business laws by state. At present, 29 states have laws either on the books, or pending, regarding or recognizing veteran-owned businesses as a distinct business class. Of those states, 10 have state set-asides, and 8 have veteran business preferences. Only three have both a set-aside and preference: Maryland, Michigan, and Wisconsin.

Of the 10 states offering set asides, New York is the highest with 6%; 4 states offer 5%, and 4 states offer 3%. Of the 8 states offering preferences, Michigan and New Mexico have a 10% preference; 1 state offers 6%; 2 states offer 5%.

The below table shows the state set-asides and preferences:

Set Asides	Preferences
Arkansas 5%	Alaska 5% up to \$5000
Arizona 3%	Maryland 3% SDVOB; 2% VOB
California 3% for SDVOBs	Michigan 10%
Illinois 5%	Minnesota 6% up to \$500k
Indiana 3%	Nevada 5%
Maryland .5%	New Mexico 10%
Michigan 5%	West Virginia 3.5%
Missouri 3%	Wisconsin 5%
New York 6%	
Wisconsin 5%	

Very clearly, Senate Bill 2 would aggressively promote Connecticut as a leader in state veteran-business preferences.

Connecticut is home to approximately 220,000 veterans, 45% of whom are between the ages of 22 to 65. By 2021, approximately 1.25 million combat veterans will be leaving active service; approximately 1% of that number should return to our state. According to the 2012 U.S. Census Bureau Survey of Business Owners published in August 2015, our state is home to more than 31,000 fully-owned Veteran-owned businesses, and more than 11,000 part-Veteran-owned businesses; of which, more than 12,000 are payroll employers, employing nearly 40,000 total employees. Senate Bill 2 would contribute significantly as an impetus and incentive to veterans starting businesses in Connecticut.

Connecticut has an impressive and competitive record compared to the other states with regard to providing reintegration solutions for veterans. UConn and the UConn School of Business are nationally ranked, and also ranked among the most vet-friendly schools in the country. The UConn Entrepreneur Bootcamp for Veterans has produced more than 90 businesses in the last 6 years, more than \$28 million in gross revenues, and more than 180 jobs. We are presently working to make an application to the Small Business Administration to bring a Veterans Business Outreach Center to the state. At present, there is no programmatic federal veterans' business interaction in New England at all.

Connecticut has the makings of an entrepreneurial ecosystem that would attract and retain the best and brightest veterans and military retirees, through world-class education offerings, work-force re-entry opportunities, and legislative and policy structures that promote post-combat, post-military career development. Since the Military Occupational Specialty Act was passed, veteran unemployment has dropped by more than 50%. Military pensions are now 100% state-income tax exempt, putting Connecticut on equal footing with our neighboring states. The Stolen Valor



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Act prevents businesses from fraudulently presenting themselves as veteran-owned, and benefitting financially.

Access to capital remains the main barrier to total entrepreneurial activity, which includes start-up, scale, and expansion into new markets and new lines of business. It is important to note that as in the venture capital industry, not every investment will see a major return on investment, and some will fail. However, prudent capital investment and risk mitigation should realize significant returns for the state's taxpayers.

In short, our state in the last several years has taken several important steps to creating a vibrant, thriving, hi-tech entrepreneurial ecosystem that is attractive to the current generation of combat veterans, some 3.2 million strong. Our vision is to make Connecticut a peer leader among the states in creating solutions for veteran reintegration into our communities. Our vision includes a strong legislative and policy support framework for veteran-owned businesses, access to entrepreneurial training, a Veteran Business Outreach Center, a veterans business incubator, and increased access to venture capital. In short, we posit Connecticut as a most vet-friendly state, attracting the best and brightest to our state, and integrating them into our community socially and economically.

In sum, our state is well-positioned to invest in veteran business start-up and growth of a 21st century entrepreneurial ecosystem. We intend, literally, to put Connecticut on the map of veteran-friendly states.

Please contact Andrew DiSilvestro Jr., Executive Vice President of the Connecticut Veterans Chamber of Commerce, for any questions or additional information, at (860) 874-5251.



# Alabama

Business and Occupation License Exemptions for Disabled Veterans and Veterans of WWII. These laws took effect in 1975, making them the first veteran-owned business specific state laws in the country.

# ALASKA

Alaska Gov. Sean Parnell signed House Bill 24 into law June 4, 2010. The bill, introduced by Rep. Anna Fairclough (R-Eagle River), offers qualified veteran-owned businesses a 5 percent procurement preference of up to \$5000 when bidding on state contracts. Qualified veteran bidders under the new law must be a sole proprietorship owned by an Alaska veteran, or the majority partners of a company, LLC, or corporation are Alaska veterans. The preference may not exceed \$5000 but can be cumulative to any other qualified preferences.

# ARKANSAS

Arkansas Act 893 grafts Service Disabled Veterans into the Minority Business Enterprise program, which is a key part of making sure that Arkansas is up to speed with other state practices. Arkansas Act 882 creates the set aside goal of 5% of all state contract dollars be for Service Disabled Veteran Owned Small Businesses. This also includes the definitions of a Service Disable Veteran and what does it mean to own a business.

# ARIZONA

House Bill 2475 will establish a tax credit for individuals and corporations who hire unemployed veterans and provide a state contract participation goal for veteran-owned businesses. The bill will establish a mandate that 1.5 percent of state contracts will be spent with service-disabled veteran-owned businesses the first year and then jump to a required 3 percent the second and subsequent years after passage.

# CALIFORNIA

Assembly Bill 2671, introduced by Assemblyman Paul Cook (R-Yucca Valley), was signed into law in 2010, saving small businesses owned by deployed military members from paying the \$800 minimum franchise tax, if their businesses are unprofitable or defunct.

The Disabled Veteran Business Enterprise (DVBE) Participation Program. This law took effect in 1989 and established a goal of 3 percent of state contracts be set aside for SDVOBs. The law was modified with an incentive program in 2007 that holds state agencies accountable for attaining the 3 percent goal. It also offers price preferences to SDVOBs.

# DELAWARE

Ensuring Representation Of Veteran-Owned Businesses In Delaware's Supplier Diversity Initiatives And Amending Executive Order No. 14

WHEREAS, the armed services of the United States are the principal vanguard of our nation and the protector of the freedoms we enjoy as Americans, and they do so through the personal sacrifice of servicemen and servicewomen dedicated to protecting our country at home and abroad;

WHEREAS, as Americans and Delawareans, we recognize the debt we owe to our veterans and acknowledge that our former service members should enjoy the same security and opportunities made available to all Americans by their service;

WHEREAS, there are more than 78,000 veterans who call Delaware home, according to the U.S Department of Veterans Affairs, but state government has not historically tracked how it conducts business with the veteran-owned businesses throughout our State;

WHEREAS, Executive Order No. 14, signed on December 22, 2009, created a Supplier Diversity Council, the purpose of which is to advocate for supplier diversity initiatives, particularly as they relate to minority and/or women-owned business enterprises;

## FLORIDA

Florida Service-Disabled Veteran Business Enterprise Opportunity Act (House Bill 687). This law took effect on Veterans Day 2008 and provides a preference to SDVOBs for state contracts. There is no goal established for a percentage of contracts awarded to SDVOBs. Basically, if there are two equal bids in terms of quality and price and one of the bidders happens to be an SDVOB, then the SDVOB is given preference.

## GEORGIA

Disabled veterans' exemption from payment of occupation tax, administrative fee, or regulatory fee. This law took effect in 1996 and exempts SDVOBs from paying certain occupation taxes, administrative fees and regulatory fees.

## ILLINOIS

Amends the Illinois Procurement Code and the Criminal Code of 1961. Provides that the State shall set aside 5% each fiscal year of the State's total expenditures for contracts for award to service-disabled veteran-owned small businesses and other veteran-owned small businesses (now, provides that a Task Force shall be established to determine the appropriate percentage goal for award each fiscal year of the State's total expenditures for contracts to service disabled veteran-owned businesses). Requires State agencies to appoint advocates to encourage and coordinate participation in State procurement activities by veteran-owned small businesses. Provides that any person who fraudulently obtains or retains, willfully makes a false statement for the purposes of influencing, or willfully obstructs or impedes the investigation of certification as a service-disabled veteran-owned small business or veteran-owned small business commits a class 2 felony and shall be suspended from bidding on any State contract for 3 years. Establishes criminal penalties for other related offenses. Makes other changes. Effective July 1, 2011. On July 26, 2009, Illinois Governor Pat Quinn signed several pieces of veteran-related legislation. Senate Bill 206, sponsored by Sen. Michael Bond (D-Grayslake) and Rep. Al Riley (D-Hazel Crest), created a task force to potentially add veteran-owned businesses to the state's procurement list for contract set-asides. The legislation took effect on January 1, 2010. Reach out to your state legislators and insist support this initiative so Illinois can be the next vetrepreneur-friendly state.

## INDIANA

Governor Mike Pence signed SEA 564 on April 25, 2013, expanding veteran-owned small business opportunities in Indiana. The law is effective July 1, 2013 and sets a goal of 3% of state contracts be awarded to Indiana veteran-owned businesses.

SEA 564 codifies Governor Pence's Executive Order 13-04, requiring the Indiana Department of Administration (IDOA) to procure at least 3 percent of state contracts with veteran-owned small businesses (VOSBs). It also requires IDOA to adopt rules, develop policies and set forth guidelines regarding contracting opportunities for VOSBs. IDOA must report annually the percentage of state contracts with Hoosier VOSBs. Finally, SEA 564 allows the Indiana Economic Development Corporation to assist in various aspects of the VOSB initiative, including maintaining a list of Indiana VOSBs, assisting VOSBs with bidding procedures and compliance, and simplifying specifications and contract terms to increase opportunities for VOSB participation.

## LOUISIANA

The Veterans Initiative established a policy by which the commissioner of administration will establish annual goals for veteran and service-disabled veteran-owned small businesses in state procurements and public contracts. There are no specific set-asides or percentages as the goals will be reevaluated each year based on historical procurement and public contracting data. Also, the commissioner may consider the capacity of VOBs and SDVOBs available.

# MARYLAND

Military Reservist and Service-Disabled Veteran No Interest Loan Program. The loan program took effect in 2006 and provides 0 percent interest loans ranging from \$1,000 - \$50,000 to Reservists and National Guard members who are called to active duty, and SDVOBS to help with business costs associated with deployment or as a result of a disability.

The procurement program took effect in July 2008 and gives a percentage preference to disabled veteran small businesses and veteran small businesses bidding on state contracts. Disabled veterans get 3 percent and other veterans get 2 percent preference in addition to the 5 percent awarded to other small businesses.

Maryland Governor Martin O'Malley signed new legislation that will improve the operating environment for veteran-owned businesses Thursday, May 20, 2010. **SB 171/HB359: Procurement - Service-Disabled Veteran Business Enterprise Participation** This bill establishes a procurement preference program in which, beginning July 1, 2012, each State agency tries to award 0.5% of the value of its procurement contracts to small businesses owned and operated by veterans. To participate in the program, veteran-owned businesses must be verified by the Center for Veterans' Enterprise within the U.S. Department of Veterans Affairs.

# MASSACHUSETTS

The executive order directs the Executive Office of Administration and Finance (A&F) to define program requirements and guidelines. A&F will then implement a participation goal requirement for service disabled veteran-owned small businesses to gain access to contracts for public projects in the areas of construction, design, and goods and services procurement. A&F will also establish a Service-Disabled Veteran-Owned Business Enterprise Program to oversee the inclusion of business enterprises owned and controlled by service-disabled veterans in all areas of state procurement contracting.

# MICHIGAN

Public Act 91 took effect in 2005 and set a goal of 3 percent of state contracts to be awarded to SDVOBs with a 10 percent price preference. In May 2008, Public Act 133 updated the original law, increasing the goal to 5 percent.

# MINNESOTA

Gov. Tim Pawlenty signed the Agriculture and Veteran Affairs Omnibus Bill May 16. The state of Minnesota implemented a Veteran Preference Program on July 1 in accordance with Laws of Minnesota, 2009, Chapter 101, Article 2, Section 56. The law includes provisions that assist two classes of veteran-owned businesses that compete for low-bid contracts in the state – those owned by service-disabled veterans and vets who left the military after Sept. 11, 2001. The law provides a 6 percent preference for the first \$500,000 on bids for state contracts. The law also sets aside some state contracts from the Minnesota Department of Transportation, the Metropolitan Council and the University of Minnesota for small businesses, including the two aforementioned classes of veteran-owned businesses.

# MISSOURI

HOUSE BILL NO. 1313. This bill took effect in 2008 and set a goal of 3 percent of state contracts to be awarded to SDVOBs.

# NEBRASKA

When a state contract is to be awarded to the lowest responsible bidder, a resident disabled veteran or a business located in a designated enterprise zone under the Enterprise Zone Act shall be allowed a preference over any other resident or nonresident bidder if all other factors are equal.

# NEVADA

Assembly Bill 223 took effect October 1, 2009 and provides a five percent bidding preference for service-disabled, veteran-owned businesses for state public works and state purchasing contracts.

# NEW JERSEY

The law charges the state's Treasury department to work in conjunction with the state Economic Development Authority and the state Department of Military and Veterans Affairs to encourage "opportunities for veteran-owned businesses in state purchasing and procurement processes."

The bill also calls on those departments to "identify strategies to expand the number of veteran-owned businesses interested in and eligible to benefit from state procurement activity."

# NEW MEXICO

The state of New Mexico offers up to a 10% advantage to resident VOBs bidding on state contracts. Beginning July 1, 2012, but not after June 30, 2022, New Mexico veteran-owned businesses who wish to obtain either a resident veteran business preference or a resident veteran contractor preference must first apply for and obtain certification from the New Mexico Taxation and Revenue Department (TRD). As long as a business initially meets and continues to meet the necessary requirements, a certification issued by TRD is valid for three years from the date of issuance.

A business that has been certified by TRD may obtain a bidding preference when participating in a formal bid process or formal request for proposal process for the sale of goods or services to a New Mexico state or local public body.

# NEW YORK

New York Gov. Andrew Cuomo signed the Service Disabled Veteran-Owned Business Act (S6865/A9135) into law Monday, May 12, establishing a statewide goal to award 6 percent of procurement spending with veterans. This doubles the federal law and its 3 percent goal, making the New York legislation one of the most vigorous programs among the 27 other veteran-friendly states.

# OREGON

ORS 279A.105 Subcontracting to emerging small businesses or businesses owned or controlled by disabled veterans.

(1) A contracting agency may require a contractor to subcontract some part of a contract to, or to obtain materials to be used in performing the contract from, a business enterprise that is certified under ORS 200.055 as an emerging small business or a business enterprise that is owned or controlled by a disabled veteran, as defined in ORS 408.225.

(2) A contracting agency may require a contractor to subcontract some part of a contract to, or to obtain materials to be used in performing the contract from, a business enterprise that is certified under ORS 200.055 as an emerging small business and that, as identified by the contracting agency, is located in or draws the business enterprise's workforce from economically distressed areas, as designated by the Oregon Business Development Department.

(3) A contracting agency may require that a public contract be awarded to a responsible bidder, as defined in ORS 200.005, who the contracting agency determines has made good faith efforts as prescribed in ORS 200.045 (3). For purposes of this subsection, "responsible bidder" includes a responsible proposer that has made good faith efforts as prescribed in ORS 200.045 (3). [2003 c.794 §14; 2005 c.103 §5; 2009 c.235 §2]

# PENNSYLVANIA

The Small Business Procurement Initiative reserves certain procurements for competition among only self-certified small businesses – those that employ 100 or fewer employees and meet maximum revenue requirements – and enables them to participate in state contracting opportunities as prime contractors.

Small businesses interested in bidding on contracting opportunities for supplies, services, information technology, and construction through the Small Business Procurement Initiative can find more information on the program and



self-certification process online at [www.smallbusiness.pa.gov](http://www.smallbusiness.pa.gov).

Governor Corbett also announced the expansion of the Small Diverse Business Program – formerly the Small Disadvantaged Business Program– to include small veteran-owned businesses.

"Veterans have selflessly given of themselves, and continue to do so, to protect the citizens of the United States and Pennsylvania," Corbett said. "We know from the departments of Military and Veteran Affairs and Labor & Industry that many servicemen and servicewomen return from duty and start their own businesses."

## TENNESSEE

Under present law, all state agencies are required to actively solicit bids and proposals for equipment, supplies, personal services, professional services, consulting services, construction contracts, and architectural and engineering services from minority owned, woman owned and small businesses in order to strive to obtain a fair proportion of procurements from minority owned, woman owned and small businesses. This bill extends this provision to veteran owned businesses.

This bill defines "veteran owned business" as a business owned by a person who served honorably on active duty in the U.S. armed forces, which business is a continuing, independent, for profit business that performs a commercially useful function and is at least 51 percent owned and controlled by one or more veterans; or, in the case of any publicly owned business, at least 51 percent of the stock is owned and controlled by one or more veterans and whose management and daily business operations are under the control of one or more veterans.

ON JUNE 3, 2010, THE SENATE ADOPTED AMENDMENT #3 AND PASSED SENATE BILL 2785, AS AMENDED.

AMENDMENT #3 specifies that the bill would apply to "Tennessee service-disabled veteran owned businesses" instead of "veteran owned businesses." A "Tennessee service-disabled veteran" is a veteran with at least a 20 percent service-connected disability. This amendment adds that a Tennessee service-disabled veteran owned businesses would include, in addition to those business described in the above summary, a business solely owned by one service-disabled veteran and the veteran's spouse, if the service-disabled veteran owns at least 50 percent of the business.

ON JUNE 8, 2010, THE HOUSE SUBSTITUTED SENATE BILL 2785 FOR HOUSE BILL 3252, ADOPTED AMENDMENT #2, AND PASSED SENATE BILL 2785, AS AMENDED.

AMENDMENT #2 specifies that a "Tennessee service-disabled veteran" is a veteran with at least a "10 percent service-connected disability" instead of a "20 percent service-connected disability. This amendment removes the provision of Senate Amendment #3 that specifies that a Tennessee service-disabled veteran owned businesses would include a business solely owned by one service-disabled veteran and the veteran's spouse, if the service-disabled veteran owns at least 50 percent of the business.

ON JUNE 9, 2010, THE SENATE NON-CONCURRED IN HOUSE AMENDMENT #2.

ON JUNE 9, 2010, THE HOUSE RECONSIDERED ITS ACTION IN PASSING SENATE BILL 2785, LIFTED THE TABLING MOTION, WITHDREW AMENDMENT #2, AND PASSED SENATE BILL 2785.

## TEXAS

OHB 194 signed on 6/14 (effective 9/1/2013) includes SDVOSBs with a 20 percent disability rating in the state's underutilized business program. The bill states. in part, "The comptroller shall adopt rules to provide goals for increasing the contract awards for the purchase of goods or services by the commission and other state agencies to businesses that qualify as historically underutilized businesses because the businesses are owned or owned, operated, and controlled, as applicable, wholly or partly by one or more veterans as defined by 38 U.S.C. Section 101(2) who have a service-connected disability as defined by 38 U.S.C. Section 101(16). The goals established under this subsection are in addition to the goals established under Subsection (c) and the goals established under Subsection (c) may not be reduced as a result of the establishment of goals under this subsection.

Goods produced or offered by a Texas bidder that is owned by a service-disabled veteran who is a Texas resident shall be given a first preference and goods produced in this state or offered by other Texas bidders shall be given second preference, if the cost to the state and quality are equal.

# VIRGINIA

Service Disabled Veterans Small Business Owners Program.

Service-disabled veterans are able to obtain designation as such in the Small, Women Minority (SWaM) vendor database. The SWaM program is part of the state's Department of Minority Business Enterprise (DMBE) and its purpose is to increase the money spent with SWaM vendors, and increase the number of contracts awarded to SWaM vendors.

Exemption of handling fee for veterans opening small business (HB 262/SB 455), waives the Department of Business Assistance's handling fee for veterans when they establish a small business through the one-stop small business permitting program.

# WASHINGTON

The Veteran Owned Business Registry became law in February 2007 and requires the Washington State Department of Veteran Affairs (WDVA) to maintain a registry of veteran-owned businesses in the state and to create a logo and distribute a decal to businesses listed in the registry so that individuals and families have easy access to VOBs in their communities.

Linked Deposit Program

The Linked Deposit Program improves access to capital for verified VOBs by decreasing interest rates on small business loans up to 2 percent. Senate Bill 5041 requires the state to reach out to veteran- and service member-owned businesses, making them aware of opportunities to compete for state contracts.

# WEST VIRGINIA

House of Delegates Bill 4283. This bill took effect in May 2006 and provides a preference for West Virginia resident veterans in procuring state contracts. With all other aspects being equal, veterans will be awarded a contract when competing with out-of-state vendors as long as the bid does not exceed of 3.5 percent of the competing bid.

# WISCONSIN

The State Bureau of Procurement Veteran Owned Business Policy PRO-D-12. This policy is part of the small, disadvantaged, minority, women, and veteran (SDMWV) business enterprise certification programs which were established to increase business opportunities for the SDMWV business communities in an attempt to award at least 5 percent of state contracts to these minority groups. Also, these groups may be eligible for a low bid waiver as long as their bid is not more than 5 percent greater than the lowest bid. The state encourages SDVOBs to participate by "reducing undue impediments."

Also, Assembly Bill 228 creates preferences in state contracts for certain disabled veteran-owned businesses certified by the Department of Commerce, similar to preferences available to certified minority-owned businesses.

# State Tracker

## Is Your State Vetpreneur Friendly?

NaVOBA is working with states across the country to generate legislation that creates opportunities for entrepreneurs. State governments spend more than \$1.5 trillion annually. NaVOBA's State Tracker keeps you up-to-date on the latest news about opportunities in your state. **Legend**

- ☒ Have established mandates that set aside a 3% or greater spending goal for either SDVOBs, VOBs or both
- ☒ Offer some type of preference to VOBs SDVOBs in procuring state contracts
- ☒ No set-asides or preference for VOBs or SDVOBs. Some legislation giving VOBs or SDVOBs a minor business advantage
- ☒ Pending States
- ☒ No Activity



